

**REPORT OF THE AUDIT OF THE
BRECKINRIDGE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2010**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administrative Cabinet
Honorable Ray Powers, Former Breckinridge County Judge/Executive
Honorable Maurice Lucas, Breckinridge County Judge/Executive
Members of the Breckinridge County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund, and the aggregate remaining fund information of Breckinridge County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements.

We engaged Tichenor & Associates, LLP to perform the audit of these financial statements. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated Breckinridge County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BRECKINRIDGE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2010**

Tichenor & Associates, LLP has completed the audit of the Breckinridge County Fiscal Court for fiscal year ended June 30, 2010. The financial statements of Breckinridge Health, Inc. a discretely presented component unit, have been prepared under accounting principles generally accepted in the United States of America, which is inconsistent with the basis of accounting Breckinridge County, Kentucky, uses to prepare its financial statements. As a result, we have issued a qualified opinion on the discretely presented component unit. We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Breckinridge County, Kentucky.

Financial Condition:

The fiscal court had total net assets of \$9,910,924 as of June 30, 2010. The fiscal court had unrestricted net assets of \$2,171,443 in its governmental activities as of June 30, 2010, with total net assets of \$9,890,358. In its business-type activities, total net cash and cash equivalents were \$14,849 with total net assets of \$20,566. The fiscal court's discretely presented component unit had net assets of \$7,112,549 as of December 31, 2009. The discretely presented component unit had unrestricted net assets of \$8,677,684. The fiscal court had total debt principal as of June 30, 2010 of \$17,876,000 with \$382,000 due within the next year. The discretely presented component unit had total debt principal as of December 31, 2009 of \$8,992,425 with \$211,514 due within the next year.

Report Comments:

- 2010-01 The County Treasurer's Office Lacks Adequate Segregation Of Duties Over Receipts And Bank Reconciliations
- 2010-02 Jail Commissary Sales Tax Reports Should Be Filed On A Monthly Basis
- 2010-03 Prisoners Reimbursements (Jail Fees) Should Be Submitted To Treasurer On A Monthly Basis
- 2010-04 The Jail Commissary Fund Lacks Adequate Segregation Of Duties

Deposits:

As of June 30, 2010, the fiscal court's deposits were insured and collateralized by bank securities.

The discretely presented component unit's deposits as of December 31, 2009 were exposed to custodial credit risks as follows:

- Uncollateralized and Uninsured \$964,686

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TICHENOR & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

304 MIDDLETOWN PARK PLACE, SUITE C
LOUISVILLE, KENTUCKY 40243

BUSINESS: (502) 245-0775
FAX: (502) 245-0725

E-MAIL: wtichenor@tichenorassociates.com

To the People of Kentucky

Honorable Steven L. Beshear, Governor

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Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Breckinridge County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Breckinridge County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial data of the Breckinridge Health, Inc., a discretely presented component unit. Those financial statements represent 100% of the assets and revenues of the discretely presented component opinion unit. Other auditors, whose report has been furnished to us, audited that entity and our opinion, in so far as it relates to the financial data of that entity is based on the other auditor's report.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Breckinridge Health, Inc. were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Breckinridge County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

To the People of Kentucky

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Lori H. Flanery, Secretary

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The financial statements of the Breckinridge Health, Inc., a discretely presented component unit, are presented in accordance with the accrual basis of accounting and therefore include certain accruals required by accounting principles generally accepted in the United States of America that are not presented in accordance with the modified cash basis of accounting. The amounts by which these accruals affect the financial statements are not reasonably determinable.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Breckinridge Health, Inc.'s financial statements been prepared using the same basis of accounting as Breckinridge County, Kentucky, based on our report and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component unit of Breckinridge County, Kentucky, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Breckinridge County, Kentucky, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The County has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison schedules are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated May 23, 2011 on our consideration of Breckinridge County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2010-01 The County Treasurer's Office Lacks Adequate Segregation Of Duties Over Receipts And Bank Reconciliations
- 2010-02 Jail Commissary Sales Tax Reports Should Be Filed On A Monthly Basis
- 2010-03 Prisoners Reimbursements (Jail Fees) Should Be Submitted To Treasurer On A Monthly Basis
- 2010-04 The Jail Commissary Fund Lacks Adequate Segregation Of Duties

Respectfully Submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

May 23, 2011

BRECKINRIDGE COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2010

Fiscal Court Members:

Ray Powers	County Judge/Executive
James Henning	Magistrate
Danny Gedling	Magistrate
Charlie Hay	Magistrate
Ronnie Robinson	Magistrate
Sam Moore	Magistrate
Joe O'Donoghue	Magistrate

Other Elected Officials:

Bradley Butler	County Attorney
Allen Shrewsberry	County Jailer
Jill Irwin	County Clerk
Connie Brumfield	Circuit Court Clerk
Todd Pate	County Sheriff
Dana Bland	Property Valuation Administrator
Tim Bandy	County Coroner

Appointed Personnel:

Sherrie Ashley	County Treasurer
Odessa Hobbs	Finance Officer
Michelle Valora	Payroll Officer/Finance Officer
Ernie Nix	Road Supervisor
Kay Brown	911 Administrator
Karen Shrewsberry	Jail Administrative Assistant

Other Key Personnel:

Marty Moore	EMA Director
Roger Jolly	Solid Waste Coordinator

BRECKINRIDGE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

BRECKINRIDGE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Breckinridge Health, Inc. 12/31/09
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 12,207,770	\$ 14,849	\$ 12,222,619	\$ 2,675,580
Patient Accounts Receivable (Net)				2,602,584
Inventories				382,283
Prepaid Expenses and Other Current Assets				142,209
Receivables	10,000		10,000	
Assets Held for Resale	206,446		206,446	
Total Current Assets	<u>12,424,216</u>	<u>14,849</u>	<u>12,439,065</u>	<u>5,802,656</u>
Noncurrent Assets:				
Assets Whose Use is Limited				1,987,816
Investments				845,441
Other Assets				41,771
Receivables	160,000		160,000	
Capital Assets - Net of Accumulated Depreciation				
Property, Plant, and Equipment				
Land and Land Improvements	1,719,850		1,719,850	90,939
Construction in Progress	1,947,556		1,947,556	8,615,823
Buildings and Building Improvements	7,340,666		7,340,666	452,951
Fixed Equipment				191,587
Major Moveable Equipment				624,323
Machinery and Equipment	1,488,656		1,488,656	
Vehicles	352,741	5,717	358,458	
Infrastructure	2,332,673		2,332,673	
Total Noncurrent Assets	<u>15,342,142</u>	<u>5,717</u>	<u>15,347,859</u>	<u>12,850,651</u>
Total Assets	<u>27,766,358</u>	<u>20,566</u>	<u>27,786,924</u>	<u>18,653,307</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable				1,514,589
Accrued Liabilities				530,258
Estimated Third-Party Payor Settlements (Net)				402,848
Current Portion of Long-Term Debt				211,514
Financing Obligations	217,000		217,000	
General Obligation Bond Notes	165,000		165,000	
Total Current Liabilities	<u>382,000</u>		<u>382,000</u>	<u>2,659,209</u>

The accompanying notes are an integral part of the financial statements.

BRECKINRIDGE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
June 30, 2010
(Continued)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Breckinridge Health, Inc. 12/31/09
Noncurrent Liabilities:				
Long-Term Debt (Net of Current Portion)	\$	\$	\$	\$ 8,780,911
Deferred Revenue				95,638
Due to Insurance Provider				5,000
Financing Obligations	4,169,000		4,169,000	
Bond Anticipation Notes	13,155,000		13,155,000	
General Obligation Bond Notes	170,000		170,000	
Total Noncurrent Liabilities	17,494,000		17,494,000	8,881,549
Total Liabilities	17,876,000		17,876,000	11,540,758
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	7,718,915	5,717	7,724,632	(1,565,135)
Unrestricted	2,171,443	14,849	2,186,292	8,677,684
Total Net Assets	\$ 9,890,358	\$ 20,566	\$ 9,910,924	\$ 7,112,549

The accompanying notes are an integral part of the financial statements.

BRECKINRIDGE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

BRECKINRIDGE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 2,516,953	\$ 25,521	\$ 1,179,680	\$ 512,832
Protection to Persons and Property	1,785,234	1,796,904	161,680	
General Health and Sanitation	100,584	3,576		
Social Services	44,853			
Recreation and Culture	25,399	14,359		
Roads	2,281,893		1,535,355	7,674
Bus Services	84,832			
Debt Service	557,916			
Capital Projects	801,127			
Total Governmental Activities	8,198,791	1,840,360	2,876,715	520,506
Business-type Activities:				
Jail Canteen	203,996	212,035		
Total Business-type Activities	203,996	212,035		
Total	\$ 8,402,787	\$ 2,052,395	\$ 2,876,715	\$ 520,506
Discretely Presented Component Unit:				
Breckinridge Health, Inc.	\$ 17,932,027	\$ 18,366,431	\$ 0	\$ 0

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Property Taxes
Insurance Premium Tax
Telephone 911 Fee Tax
In Lieu Tax Payments
Other Taxes

Excess Fees

Miscellaneous Revenues

Interest Income

Gain (Loss) on Investments

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

BRECKINRIDGE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2010
(Continued)

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Component
Governmental Activities	Business-Type Activities	Totals	Unit 12/31/09
\$ (798,920)	\$	\$ (798,920)	
173,350		173,350	
(97,008)		(97,008)	
(44,853)		(44,853)	
(11,040)		(11,040)	
(738,864)		(738,864)	
(84,832)		(84,832)	
(557,916)		(557,916)	
(801,127)		(801,127)	
(2,961,210)		(2,961,210)	
	8,039	8,039	
	8,039	8,039	
(2,961,210)	8,039	(2,953,171)	
			434,404
726,558		726,558	
42,253		42,253	
185,619		185,619	
657,726		657,726	
87,350		87,350	
22,303		22,303	
230,718		230,718	
115,032		115,032	
930,817		930,817	
18,280		18,280	
			139,982
3,016,656		3,016,656	139,982
55,446	8,039	63,485	574,386
9,834,912	12,527	9,847,439	6,538,163
\$ 9,890,358	\$ 20,566	\$ 9,910,924	\$ 7,112,549

The accompanying notes are an integral part of the financial statements.

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BRECKINRIDGE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2010

BRECKINRIDGE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2010

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund	Public Properties Corporation Fund	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 987,926	\$ 428,164	\$ 213,060	\$ 165,847	\$ 10,412,773	\$ 12,207,770
Total Assets	<u>\$ 987,926</u>	<u>\$ 428,164</u>	<u>\$ 213,060</u>	<u>\$ 165,847</u>	<u>\$ 10,412,773</u>	<u>\$ 12,207,770</u>
FUND BALANCES						
Reserved for:						
Encumbrances	\$ 17,735	\$ 79,582	\$ 5,260	\$ 1,257	\$	\$ 103,834
Unreserved:						
General Fund	970,191					970,191
Special Revenue Funds		348,582	207,800	164,590		720,972
Capital Projects Fund					10,412,773	10,412,773
Total Fund Balances	<u>\$ 987,926</u>	<u>\$ 428,164</u>	<u>\$ 213,060</u>	<u>\$ 165,847</u>	<u>\$ 10,412,773</u>	<u>\$ 12,207,770</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 12,207,770
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Note Receivable Is Not Considered A Current Resource And Therefore, Is Not Reported In The Funds.	170,000
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	19,790,252
Accumulated Depreciation	(4,608,110)
Assets Held For Resale Are Not Current Financial Resources And, Therefore, Are Not Reported In The Funds.	206,446
Long-term Debt Is Not Due And Payable In The Current Period And, Therefore, Is Not Reported In The Funds.	
Due Within One Year - Bond Anticipation Notes, General Obligation Bond Notes, and Financing Obligation Principal Payments	(382,000)
Due In More Than One Year - Bond Anticipation Notes, General Obligation Bond Notes, and Financing Obligation Principal Payments	<u>(17,494,000)</u>
Net Assets Of Governmental Activities	<u>\$ 9,890,358</u>

The accompanying notes are an integral part of the financial statements.

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BRECKINRIDGE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

BRECKINRIDGE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
REVENUES				
Taxes	\$ 1,930,100	\$	\$	\$
In Lieu Tax Payments	22,303			
Excess Fees	115,396			
Licenses and Permits	17,221			
Intergovernmental	1,718,568	1,450,463	1,851,282	92,566
Charges for Services	17,935		107,302	
Miscellaneous	625,175	248,401	35,645	
Interest	7,674	1,614	1,659	1,112
Total Revenues	<u>4,454,372</u>	<u>1,700,478</u>	<u>1,995,888</u>	<u>93,678</u>
EXPENDITURES				
General Government	620,215			
Protection to Persons and Property	372,747		1,425,986	19,023
General Health and Sanitation	100,584			
Social Services	16,367			25,313
Recreation and Culture	68,258			25,948
Roads		2,492,157		
Bus Services	84,832			
Debt Service	61,097	235,025	434,425	
Capital Projects	729,907	94,827		
Administration	<u>1,353,325</u>	<u>160,519</u>	<u>203,827</u>	
Total Expenditures	<u>3,407,332</u>	<u>2,982,528</u>	<u>2,064,238</u>	<u>70,284</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,047,040</u>	<u>(1,282,050)</u>	<u>(68,350)</u>	<u>23,394</u>
Other Financing Sources (Uses)				
Bond Anticipation Note				
Bond Anticipation Note - Discount				
Payment To Escrow Agent				
Transfers Out	(1,150,534)		(35,102)	
Transfers In	<u>35,102</u>	<u>1,150,534</u>		
Total Other Financing Sources (Uses)	<u>(1,115,432)</u>	<u>1,150,534</u>	<u>(35,102)</u>	
Net Change in Fund Balances	(68,392)	(131,516)	(103,452)	23,394
Fund Balances - Beginning (Restated)	<u>1,056,318</u>	<u>559,680</u>	<u>316,512</u>	<u>142,453</u>
Fund Balances - Ending	<u>\$ 987,926</u>	<u>\$ 428,164</u>	<u>\$ 213,060</u>	<u>\$ 165,847</u>

The accompanying notes are an integral part of the financial statements.

BRECKINRIDGE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2010
(Continued)

Public Properties Corporation Fund	Total Governmental Funds
\$	\$ 1,930,100
	22,303
	115,396
	17,221
	5,112,879
	125,237
3,600	912,821
6,221	18,280
<u>9,821</u>	<u>8,254,237</u>
	620,215
	1,817,756
	100,584
	41,680
	94,206
	2,492,157
	84,832
1,712,903	2,443,450
2,087,556	2,912,290
113,122	1,830,793
<u>3,913,581</u>	<u>12,437,963</u>
<u>(3,903,760)</u>	<u>(4,183,726)</u>
13,155,000	13,155,000
(100,766)	(100,766)
(1,387,347)	(1,387,347)
	(1,185,636)
	<u>1,185,636</u>
<u>11,666,887</u>	<u>11,666,887</u>
7,763,127	7,483,161
2,649,646	4,724,609
<u>\$ 10,412,773</u>	<u>\$ 12,207,770</u>

The accompanying notes are an integral part of the financial statements.

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**BRECKINRIDGE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2010

BRECKINRIDGE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ 7,483,161
Governmental Funds Report Capital Outlays As Expenditures. However, In The Statement Of Activities, The Cost Of Those Assets Is Allocated Over Their Estimated Useful Lives And Reported As Depreciation Expense.	
Capital Outlay	2,875,361
Depreciation Expense	(513,123)
Capital Asset Disposal, Net Book Value	(8,600)
The Issuance Of Long-term Debt (e.g. Financing Obligations) Provides Current Financial Resources To Governmental Funds While Principal Payments Are Expensed In The Governmental Funds As A Use Of Current Financial Resources. These Transactions, However, Have No Effect On Net Assets.	
Bond Anticipation Note Proceeds	(13,155,000)
Financing Obligations Principal Payments	223,647
Bond Anticipation Note Principal Payments	3,000,000
General Obligation Bond Principal Payments	160,000
Payments Received On Notes Receivable Provide A Current Financial Resource To Governmental Funds While Reducing The Receivable At The Government-Wide Level. Therefore, The Activity Has Been Eliminated On The Statement Of Activities.	
	<u>(10,000)</u>
Change In Net Assets of Governmental Activities	<u><u>\$ 55,446</u></u>

The accompanying notes are an integral part of the financial statements.

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BRECKINRIDGE COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2010

BRECKINRIDGE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2010

	Business-Type Activities - Enterprise Fund Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 14,849
Total Current Assets	<u>14,849</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles	18,485
Less Accumulated Depreciation	<u>(12,768)</u>
Total Noncurrent Assets	<u>5,717</u>
Total Assets	<u><u>20,566</u></u>
Net Assets	
Invested In Capital Asset,	
Net of Related Debt	5,717
Unrestricted	<u>14,849</u>
Total Net Assets	<u><u>\$ 20,566</u></u>

The accompanying notes are an integral part of the financial statements.

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BRECKINRIDGE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

BRECKINRIDGE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

	Business-Type Activities - Enterprise Fund Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 190,006
Miscellaneous Receipts	11,638
Total Operating Revenues	<u>201,644</u>
Operating Expenses	
Cost of Sales	113,272
Administrative Salaries	65,440
Entertainment	4,333
Depreciation	1,360
Educational and Recreational	5,696
Miscellaneous Expenses	1,434
Total Operating Expenses	<u>191,535</u>
Operating Income	<u>10,109</u>
Nonoperating Revenues (Expenses)	
Inmate Pay From State	10,391
Inmate Refunds	<u>(12,461)</u>
Total Nonoperating Revenues	<u>(2,070)</u>
Change in Net Assets	8,039
Total Net Assets - Beginning	<u>12,527</u>
Total Net Assets - Ending	<u><u>\$ 20,566</u></u>

The accompanying notes are an integral part of the financial statements.

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BRECKINRIDGE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2010

BRECKINRIDGE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Cash Received From Customers	\$ 201,644
Cash Payments to Vendors	(190,175)
Net Cash Provided By Operating Activities	<u>11,469</u>
Cash Flows From Noncapital Financing Activities	
Inmate Pay From State	10,391
Inmate Refunds on Accounts	(12,461)
Net Cash Provided By Noncapital Financing Activities	<u>(2,070)</u>
Net Increase in Cash and Cash Equivalents	9,399
Cash and Cash Equivalents - July 1, 2009	5,450
Cash and Cash Equivalents - June 30, 2010	<u><u>\$ 14,849</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income	\$ 10,109
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities	
Depreciation Expense	1,360
Net Cash Provided By Operating Activities	<u><u>\$ 11,469</u></u>

The accompanying notes are an integral part of the financial statements.

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BRECKINRIDGE COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

BRECKINRIDGE COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

	Agency Fund	
	Inmate Account	Inmate Escrow Account
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 3,814	\$ 3,430
Total Assets	<u>\$ 3,814</u>	<u>\$ 3,430</u>
Liabilities		
Amounts Held In Custody For Others	\$ 3,814	\$ 3,430
Total Liabilities	<u>\$ 3,814</u>	<u>\$ 3,430</u>

The accompanying notes are an integral part of the financial statements.

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**BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2010

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county prepares its government wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivables are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements. However, financial statements of the Breckinridge Health, Inc., a discretely presented component unit, are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Breckinridge County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organizations' exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantially the same as the primary government. All other component units are discretely presented.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method

Breckinridge County Public Properties Corporation

The Breckinridge County Fiscal Court appoints the Breckinridge County Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Breckinridge County Public Properties Corporation.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

Breckinridge County Building Commission

The Breckinridge County Fiscal Court appoints the Breckinridge County Building Commission's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Breckinridge County Building Commission. There was no financial activity for the Building Commission in the fiscal year ended June 30, 2010.

Discretely Presented Component Unit

The component unit column in the financial statements includes the data of the Breckinridge Health, Inc. It is reported on the Statement of Net Assets and the Statement of Activities in a separate column to emphasize its separateness from the fiscal court's primary government.

Breckinridge Health, Inc.

The Breckinridge Memorial Hospital, which is owned by the Breckinridge County Building Commission and leased to the County, the Series 1983 Bonds were used to finance the acquisition, construction, and equipping of the Breckinridge Memorial Hospital. The 1983 Bonds were refinanced with the Series 1994 Bonds. The title to the hospital will vest in the County upon all interest and principal of the 1994 Bonds being paid. Exclusion of this entity as a component unit of Breckinridge County would cause the county's financial statements to be misleading or incomplete. The financial information for the Hospital is presented discretely within Breckinridge County's financial statements.

Breckinridge Health, Inc. subleases the mortgaged property from the County at an agreed and stipulated rental equal to (i) the aggregate of the interest and principal of the Bond due during any lease period, (ii) the Reserve Fund requirement, (iii) the cost of operation and maintenance of the mortgaged property, (iv) the cost of insuring the mortgaged property, and (v) the annual trustee fee. The county has an option to renew the lease from year to year until sufficient rentals have been paid to retire all Bonds.

Audited financial statements for the Breckinridge Health, Inc., a discretely presented component unit, may be requested by contacting the Breckinridge County Hospital, Hardinsburg, Kentucky 40143.

C. Breckinridge County Elected Officials

Kentucky law provides for election of officials below from the geographic area constituting Breckinridge County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These officials are not part of the Breckinridge County reporting entity.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are a least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenditures of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The purpose of this fund is to account for local government development funds received from the state government. The funds may be used for roads, protection of persons and property, social services and general health and sanitation expenditures. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Breckinridge County Public Properties Corporation Fund - The primary purpose of this fund is the construction of the Judicial Center. The primary source of revenue for this fund is interest earned on investments.

Special Revenue Funds:

The Road Fund, Jail Fund and Local Government Economic Assistance Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

The Breckinridge County Public Properties Corporation Fund is presented as a capital projects fund. Capital projects funds are to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds (Continued)

Enterprise Fund:

The principal operating revenues of the county's enterprise fund is charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The County's agency funds are used to account for monies held by the County in the Inmate Account Fund and Inmate Escrow Account for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary funds:

Inmate Account Fund - This fund accounts for funds received from the inmates.

Inmate Escrow Account Fund - This fund accounts for funds received from the inmates.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land and land improvements, buildings and building improvements, machinery and equipment, vehicles, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land and Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	5-15
Infrastructure	\$ 20,000	2-40

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose and encumbrances.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity (Continued)

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The State Local Finance Officer does not require a formal budget to be adopted for the Jail Canteen Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Breckinridge Health, Inc. (discretely presented component unit), Breckinridge County Public Properties Corporation (blended component unit), and the Breckinridge County Jail Commissary (blended component unit) Funds are not budgeted. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

J. Related Organization

A related organization is an entity for which the primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization’s governing board. Based on these criteria, the Breckinridge County Industrial Authority is considered a related organization of the Breckinridge County Fiscal Court.

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial Credit risk is the risk that in the event of a depository institution failure, the county's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

As of December 31, 2009, \$964,686 of the discretely presented component unit's deposits were exposed to custodial risk.

- Uncollateralized and Uninsured \$964,686

Note 3. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent.

The county's contribution for FY 2008 was \$383,045, FY 2009 was \$337,259, and FY 2010 was \$421,498.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 4. Deferred Compensation

In May 2002, the Breckinridge County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 4. Deferred Compensation (Continued)

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, Kentucky, 40601-8862, or by telephone at (502) 573-7925.

Note 5. Assets Held For Resale

Assets held for resale activity for the year ended June 30, 2010 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Assets Held For Resale:				
Vehicles	\$ 206,446	\$	\$	\$ 206,446
Total Assets Held For Resale	\$ 206,446	\$ 0	\$ 0	\$ 206,446

Note 6. Receivable

The Breckinridge County Fiscal Court has entered into a financing obligation on the behalf of the Breckinridge County Central EMS, Inc (Central EMS) for the purpose of providing funds for the financing of the construction of the EMS building. The Breckinridge County Fiscal Court has an agreement with Central EMS that states the Central EMS will make payments for this financing obligation. Future amounts due to Breckinridge County Fiscal Court are:

Fiscal Year Ended June 30	Principal Amount
2011	\$ 10,000
2012	10,000
2013	10,000
2014	15,000
2015	15,000
2016-2020	75,000
Thereafter	<u>35,000</u>
Totals	<u>\$ 170,000</u>

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Reporting Entity			
	Restated Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,244,850	\$ 475,000	\$	\$ 1,719,850
Construction in Progress	311,393	1,636,163		1,947,556
Total Capital Assets Not Being Depreciated	1,556,243	2,111,163		3,667,406
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	9,767,272	200,300		9,967,572
Machinery and Equipment	2,069,809	38,280	(25,000)	2,083,089
Vehicles	766,000	49,196	(11,000)	804,196
Infrastructure	2,791,567	476,422		3,267,989
Total Capital Assets Being Depreciated	15,394,648	764,198	(36,000)	16,122,846
Less Accumulated Depreciation For:				
Buildings and Building Improvements	(2,514,467)	(112,439)		(2,626,906)
Machinery and Equipment	(521,256)	(91,577)	18,400	(594,433)
Vehicles	(392,936)	(67,519)	9,000	(451,455)
Infrastructure	(693,728)	(241,588)		(935,316)
Total Accumulated Depreciation	(4,122,387)	(513,123)	27,400	(4,608,110)
Total Capital Assets, Being Depreciated, Net	11,272,261	251,075	(8,600)	11,514,736
Governmental Activities Capital Assets, Net	<u>\$12,828,504</u>	<u>\$2,362,238</u>	<u>\$ (8,600)</u>	<u>\$15,182,142</u>

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 7. Capital Assets (Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles	\$ 18,485		\$	\$ 18,485
Total Capital Assets Being Depreciated	18,485			18,485
Less Accumulated Depreciation For:				
Vehicles	(11,408)	(1,360)		(12,768)
Total Accumulated Depreciation	(11,408)	(1,360)		(12,768)
Business-Type Activities Capital Assets, Net	\$ 7,077	\$ (1,360)	\$ 0	\$ 5,717

Depreciation expense was charged to functions of the primary government as follows:

General Government	\$ 57,345
Protection to Persons and Property	138,104
Social Services	3,173
Recreation and Culture	11,193
Roads	<u>303,308</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 513,123</u>
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Business-Type Activities

Jail Canteen Fund	<u>\$ 1,360</u>
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Total Depreciation Expense - Business-Type Activities	<u>\$ 1,360</u>
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BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 7. Capital Assets (Continued)

Capital asset activity for the discretely presented component unit for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 66,000	\$	\$	\$ 66,000
Land Improvements	250,252			250,252
Construction in Progress	<u>1,459,857</u>	<u>7,167,290</u>	<u>(11,324)</u>	<u>8,615,823</u>
Total Capital Assets Not Being Depreciated	<u>1,776,109</u>	<u>7,167,290</u>	<u>(11,324)</u>	<u>8,932,075</u>
Capital Assets, Being Depreciated:				
Buildings	2,258,112	11,324		2,269,436
Fixed Equipment	2,649,291			2,649,291
Major Moveable Equipment	<u>6,523,375</u>	<u>255,296</u>		<u>6,778,671</u>
Total Capital Assets Being Depreciated	11,430,778	266,620		11,697,398
Less Accumulated Depreciation For:				
Land Improvements	(218,595)	(6,718)		(225,313)
Buildings	(1,760,251)	(56,234)		(1,816,485)
Fixed Equipment	(2,384,529)	(73,175)		(2,457,704)
Major Moveable Equipment	<u>(5,839,453)</u>	<u>(314,895)</u>		<u>(6,154,348)</u>
Total Accumulated Depreciation	<u>(10,202,828)</u>	<u>(451,022)</u>		<u>(10,653,850)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,227,950</u>	<u>(184,402)</u>		<u>1,043,548</u>
Component Unit Capital Assets, Net	<u>\$ 3,004,059</u>	<u>\$ 6,982,888</u>	<u>\$ (11,324)</u>	<u>\$ 9,975,623</u>

Depreciation expense was charged to functions of the discretely component unit as follows:

Breckinridge Health, Inc.	<u>\$ 451,022</u>
Total Depreciation Expense - Component Unit	<u>\$ 451,022</u>

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 8. Short-term Debt

In November 2008, Breckinridge Health, Inc. signed an agreement with Kentucky Rural Water Finance Corporation (KRWFC) through the Breckinridge County Buildings Commission for up to \$6.1 million interim financing at a rate of 4.95%. The proceeds were used to finance construction costs on the expansion project until the Rural Development (RD) loan was finalized. An additional \$5,034,496 was drawn in 2009. In October 2009, permanent financing was received and the KRWFC loan was paid out.

	Beginning Balance	Additions	Reductions	Ending Balance
KRWFC	\$ 631,811	\$5,034,496	\$ 5,666,307	\$
	<u>\$ 631,811</u>	<u>\$5,034,496</u>	<u>\$ 5,666,307</u>	<u>\$ 0</u>

Note 9. Long-term Debt

A. Courthouse Renovation

On January 6, 1994, the Breckinridge County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the sum of \$250,000 at a 4.621% interest rate. The financing obligation was used for the courthouse renovation. The maturity date of the obligation is February 1, 2014. The balance of the obligation at June 30, 2010, was \$54,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Principal Amount	Scheduled Interest
2011	\$ 17,000	\$ 1,906
2012	18,000	1,200
2013	<u>19,000</u>	<u>453</u>
Totals	<u>\$ 54,000</u>	<u>\$ 3,559</u>

B. Detention Facility

On February 26, 1998, the Breckinridge County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the sum of \$5,300,000 at a 5.64% interest rate. The financing obligation was for construction of the Detention Facility. On January 31, 2000, the Fiscal Court refinanced in the amount of \$5,500,000 at a 5.30% effective interest rate. The maturity date of the obligation is January 20, 2025. The balance of the obligation at June 30, 2010, was \$4,162,000. Annual debt service requirements to maturity are as follows:

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 9. Long-term Debt (Continued)

B. Detention Facility (Continued)

Fiscal Year Ended June 30	Principal Amount	Scheduled Interest
2011	\$ 190,000	\$ 241,943
2012	200,000	229,860
2013	210,000	217,169
2014	221,000	203,817
2015	233,000	189,741
2016-2020	1,359,000	710,646
2021-2025	<u>1,749,000</u>	<u>231,806</u>
Totals	<u>\$ 4,162,000</u>	<u>\$ 2,024,982</u>

C. EMS Building

On June 18, 2002, the Breckinridge County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the sum of \$250,000 at a 4.38% effective interest rate. The financing obligation was used for the construction of the EMS building. The maturity date of the obligation is July 20, 2022. On August 12, 2002, the Breckinridge County Fiscal Court entered into an agreement with Breckinridge County Central EMS, Inc. The Agreement states that Breckinridge County Central EMS, Inc. will make the payments for this lease. The balance of the obligation at June 30, 2010, was \$170,000. Annual debt service payments to maturity are as follows:

Fiscal Year Ended June 30	Principal Amount	Scheduled Interest
2011	\$ 10,000	\$ 8,559
2012	10,000	8,043
2013	10,000	7,527
2014	15,000	6,904
2015	15,000	6,129
2016-2020	75,000	19,033
Thereafter	<u>35,000</u>	<u>2,026</u>
Totals	<u>\$ 170,000</u>	<u>\$ 58,221</u>

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 9. Long-term Debt (Continued)

D. Double Drum Asphalt Compactor

On May 9, 2006, the Breckinridge County Fiscal Court entered into an agreement with Citigroup Vendor Finance, Inc. in the sum of \$63,200 at a 5.130% interest rate. The financing obligation was used for Double Drum Asphalt Compactor. The maturity date of the obligation was June 1, 2010. The agreement was paid in full in June 2010.

E. General Obligation Bond Notes, Series 2009 (Ice Storm Emergency Recovery Project)

On June 30, 2009 the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust in the sum of \$495,000 at various interest rates. The proceeds of the Notes were used to pay for the costs of storm damage repairs, resulting from the ice storm which constitute a public service resulting from an emergency and which repairs were required for safety of the general public. The maturity date of the obligation is June 20, 2012. The balance of the Notes at June 30, 2010 was \$335,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Principal Amount	Scheduled Interest
2011	\$ 165,000	\$ 14,319
2012	170,000	7,585
Totals	<u>\$ 335,000</u>	<u>\$ 21,904</u>

F. First Mortgage Revenue Bond Anticipation Notes, Series 2008

On July 22, 2008, the Breckinridge County Public Properties Corporation issued \$3,000,000 of First Mortgage Revenue Bond Anticipation Notes, Series 2008. Proceeds of the Notes will be used to pay land acquisition costs, professional design fees, capitalized interest on the Notes to their due date, cost of issuance and other expenses associated with the new Breckinridge County, Kentucky Justice Center. The interest rate is 3.00%. The final maturity date of the Notes is July 1, 2010. The Notes were paid in full on February 12, 2010.

G. First Mortgage Revenue Bonds (Justice Center Project), Series 2010

On February 1, 2010, the Breckinridge County Public Properties Corporation issued \$13,155,000 of First Mortgage Revenue Bonds (Justice Center Project), Series 2010 for the purpose of acquiring, constructing, and equipping a new Justice Center. The bond has a variable interest rate. The bond will mature on February 1, 2031. The balance of the bond at June 30, 2010 was \$13,155,000. Annual debt service requirements to maturity are as follows:

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 9. Long-term Debt (Continued)

G. First Mortgage Revenue Bonds (Justice Center Project), Series 2010 (Continued)

Fiscal Year Ended June 30	Principal Amount	Scheduled Interest
2011	\$	\$ 445,445
2012	505,000	445,445
2013	510,000	440,395
2014	515,000	434,275
2015	525,000	423,975
2016-2020	2,830,000	1,913,075
2021-2025	3,325,000	1,420,800
2026-2030	4,035,000	716,150
Thereafter	910,000	38,675
Totals	<u>\$13,155,000</u>	<u>\$ 6,278,235</u>

H. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Financing Obligations	\$ 4,609,647	\$	\$ 223,647	\$ 4,386,000	\$ 217,000
Bond Anticipation Notes	3,000,000	13,155,000	3,000,000	13,155,000	
General Obligation Bond Notes	495,000		160,000	335,000	165,000
	<u>\$ 8,104,647</u>	<u>\$13,155,000</u>	<u>\$ 3,383,647</u>	<u>\$17,876,000</u>	<u>\$ 382,000</u>

I. Refinancing Series 1983 Bonds

On March 22, 1994, Breckinridge Health, Inc. borrowed \$2,650,000 from The Bank of New York (Bank), formerly Fifth Third Bank of Cincinnati, Ohio. The proceeds were used to refinance the 10.5% Series 1983 Bonds. Principal payments are due annually through January 1, 2013 with interest at rates varying from 4% to 6.4%, with a weighted average of 5.08%. The debt is secured by a mortgage lien against, and a pledge of the revenue of the Hospital, including all land, buildings, improvements, equipment, and appurtenance thereon, pursuant to the provisions of the bond instrument.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 9. Long-term Debt (Continued)

I. Refinancing Series 1983 Bonds (Continued)

Under the terms of the refinancing agreement, Breckinridge Health, Inc. established Sinking and Reserve Fund Accounts with the Bank. The Sinking Fund is a clearing account with monthly transfers adequate for the annual principal and semi-annual interest payments. The Reserve Fund requires payments to be made until a balance accumulates equal to the highest principal and interest payments due on the outstanding bonds. An initial deposit of \$239,070 was made from the bond proceeds and the transfer from the restricted accounts of the original Bond. Interest income and transfers had changed this balance to \$230,512 at December 31, 2009. Such accounts are restricted to the replacement of property and equipment and repayment of the mortgage note.

J. Self-Insured Worker's Compensation Fund

On November 11, 2004, Breckinridge Health, Inc. entered into an agreement with AIK, a group self-insured worker's compensation fund, to reimburse the fund \$20,301 for additional premiums due for prior years. The original note called for four annual installments of \$4,527, with interest at 4.5%. In December 2005, a new agreement superseded the 2004 contract. The 2004 note was canceled, and the new balance is due upon call. The balance at December 31, 2009 was \$4,021.

K. Local Medical Practice

On January 17, 2005, Breckinridge Health, Inc. entered into a loan agreement with The Farmers Bank through the Breckinridge County Building Commission to purchase a local medical practice. A promissory note was issued for \$266,810 to be repaid over a fifteen-year period. The note calls for sixty monthly payments of \$2,399 at an interest rate of 4.8%, and 120 monthly payments of \$1,896 at an interest rate based on the prime rate, resulting in a current interest rate of 3.25%. The lender has been granted a security interest in all equipment and inventory of the practice and a mortgage on the real estate. The balance of the note at December 31, 2009 was \$178,404.

L. Hospital Expansion

In October 2009, Breckinridge Health, Inc. issued a bond ordinance through the Breckinridge County Buildings Commission authorizing and providing for the issuance and sale of \$8,000,000 of revenue bonds, for the purpose of financing the cost of the hospital expansion. The Series 2008 bonds consist of \$6,100,000 Series A Bonds and \$1,900,000 Series B Bonds. The thirty-eight year Series A and Series B Bonds have interest rates of 4.125% and 4.25%, respectively. The bonds are secured by a mortgage lien against and a pledge of the revenues of the Hospital.

Under covenants of the bond ordinances, certain funds have been established. These funds and their current financial requirements are presented in summary as follows:

Sinking Fund - Monthly installments shall be paid into the Sinking Fund amounts equal to one-sixth of the next succeeding six-month interest payment to become due and one-twelfth of the principal maturing on the next succeeding principal payment date.

Depreciation Reserve Fund - The sum of \$4,125 is to be deposited monthly into the Depreciation Reserve Fund until the required sum of \$492,600 is accumulated and maintained.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 9. Long-term Debt (Continued)

M. Changes in Long-term Debt - Discretely Presented Component Unit

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
The Bank of New York	\$ 990,000	\$	\$ 180,000	\$ 810,000	\$ 190,000
Rural Development		8,000,000		8,000,000	
AIK	4,021			4,021	4,021
The Farmers Bank	198,110		19,706	178,404	17,493
	<u>\$ 1,192,131</u>	<u>\$8,000,000</u>	<u>\$ 199,706</u>	<u>\$8,992,425</u>	<u>\$ 211,514</u>

Note 10. Leased Property and Equipment

The original cost of assets purchased under capital leases and the accumulated amortization for each class are as follows:

	Original Cost	Accumulated Amortization
Fixed Equipment	\$ 370,696	\$ 265,810
Major Moveable Equipment	\$ 92,349	\$ 87,931

Equipment purchased by capital leases is included in the statements of financial position under property, plant, and equipment (net) at cost less accumulated amortization. Amortization expense for such equipment was included in depreciation expense in the amount of \$32,752 for 2009.

Note 11. Commitments Under Noncapitalized Leases

Breckinridge Health, Inc. leases various equipment under operating leases expiring at various dates through 2013. Total rental expense in 2009 for all operating leases was approximately \$269,556.

Commitments under operating lease agreements that have remaining lease terms in excess of one year provide the minimum future rental payments as of December 31, 2009 as follows:

Year Ending December 31,	
2010	\$ 205,248
2011	180,567
2012	113,254
2013	17,164
	<u>\$ 516,233</u>

Subsequent to year-end, Breckinridge Health, Inc. entered sixty-month lease agreements for IV pumps, microbiology system, and a CT scanner. The monthly payments are \$2,436, \$1,391, and \$7,618, respectively.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 12. Interest on Financing Obligations and First Mortgage Revenue Bond Anticipation Notes

Debt Service on the Statement of Activities includes \$285,975 in interest on Financing Obligations and \$100,250 on First Mortgage Revenue Bond Anticipation Notes.

Note 13. Allowance For Doubtful Accounts

Patient accounts receivable and amounts due from employees are shown net of allowance for doubtful accounts. A summary as of December 31, 2008 follows:

Patient Accounts Receivable	\$5,024,033
Allowance for Doubtful Accounts	<u>(2,421,449)</u>
Patient Accounts Receivable (Net)	<u>\$2,602,584</u>
Amounts Due From Employees	\$ 43,638
Allowance for Doubtful Accounts	<u>(28,000)</u>
Amount Due From Employees (Net)	<u>\$ 15,638</u>

Note 14. Charity Care

Breckinridge Health, Inc. maintains its records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone under its charity care policy. Due to the availability of the KHCP and Disproportionate Share Rebate programs, Breckinridge Health, Inc. incurred cost of \$458,836 for the year ended December 31, 2009. The total reimbursement under the Disproportionate Share Rebate program was \$132,335 for 2009 and is included in the financial statements as revenues.

Note 15. Insurance

For the fiscal year ended June 30, 2010, Breckinridge County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 16. Difference in Fiscal Year End of Discretely Presented Component Unit

The Breckinridge Health, Inc., a discretely presented component unit of the Breckinridge County Fiscal Court, has a fiscal year end of December 31, 2009. The Fiscal Court, the primary government, has a fiscal year end of June 30, 2010. All amounts reported for the Breckinridge Health, Inc. represent account balances, receipts, and disbursements as of December 31, 2009.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 17. Prior Period Adjustments

The prior year net asset ending balances have been restated for the following:

	Governmental Activities
Net Assets Ending Balance Prior Year	\$ 9,779,709
Cash	
Plus:	
Voided Checks in General Fund	656
Voided Checks in Road Fund	1,245
Voided Checks in Jail Fund	1,474
Capital Asset	
Plus:	
Capital Assets Not Included In Prior Year	8,128
Accumulated Depreciation Of Capital Assets Not Included In Prior Year	(980)
Less:	
Accumulated Depreciation Of Capital Assets Erroneously Included In Prior Year	44,680
Subtotal To Capital Asset Adjustment	55,203
Net Assets Beginning Balance - Restated	\$ 9,834,912
	General Fund
General Fund-Fund Balance-Ending Balance-Prior Year	\$ 1,055,662
Prior Year Voided Checks	656
General Fund-Fund Balance-Beginning Balance-Restated	\$ 1,056,318
	Road Fund
Road Fund-Fund Balance-Ending Balance-Prior Year	\$ 558,435
Prior Year Voided Checks	1,245
Road Fund-Fund Balance-Beginning Balance-Restated	\$ 559,680
	Jail Fund
Jail Fund-Fund Balance-Ending Balance-Prior Year	\$ 315,038
Prior Year Voided Checks	1,474
Jail Fund-Fund Balance-Beginning Balance-Restated	\$ 316,512

BRECKINRIDGE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2010

BRECKINRIDGE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2010

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,705,500	\$ 1,705,500	\$ 1,930,100	\$ 224,600
In Lieu Tax Payments	9,000	9,000	22,303	13,303
Excess Fees		105,000	115,396	10,396
Licenses and Permits	14,000	14,000	17,221	3,221
Intergovernmental Revenue	1,263,500	1,272,450	1,718,568	446,118
Charges for Services	10,000	10,000	17,935	7,935
Miscellaneous	403,000	403,000	625,175	222,175
Interest	5,000	5,000	7,674	2,674
Total Revenues	3,410,000	3,523,950	4,454,372	930,422
EXPENDITURES				
General Government	685,754	704,455	620,215	84,240
Protection to Persons and Property	396,658	399,400	372,747	26,653
General Health and Sanitation	94,363	111,673	100,584	11,089
Social Services	200,000	200,168	16,367	183,801
Recreation and Culture	70,000	73,979	68,258	5,721
Bus Services	110,000	110,000	84,832	25,168
Debt Service	22,000	63,500	61,097	2,403
Capital Projects	852,500	770,612	729,907	40,705
Administration	1,216,000	1,362,540	1,353,325	9,215
Total Expenditures	3,647,275	3,796,327	3,407,332	388,995
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(237,275)	(272,377)	1,047,040	1,319,417
OTHER FINANCING SOURCES (USES)				
Transfers Out	(607,318)	(607,318)	(1,150,534)	(543,216)
Transfers In			35,102	35,102
Litter Abatement	(44,000)	(44,000)		44,000
Total Other Financing Sources (Uses)	(651,318)	(651,318)	(1,115,432)	(464,114)
Net Changes in Fund Balance	(888,593)	(923,695)	(68,392)	855,303
Fund Balance - Beginning (Restated)	895,693	895,693	1,056,318	160,625
Fund Balance - Ending	\$ 7,100	\$ (28,002)	\$ 987,926	\$ 1,015,928

BRECKINRIDGE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

	ROAD FUND			
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts,</u>	<u>Final Budget</u>
			<u>(Budgetary</u>	<u>Positive</u>
			<u>Basis)</u>	<u>(Negative)</u>
REVENUES				
Intergovernmental Revenue	\$ 2,185,599	\$ 2,226,417	\$ 1,450,463	\$ (775,954)
Miscellaneous	303,500	548,504	248,401	(300,103)
Interest	1,500	1,500	1,614	114
Total Revenues	<u>2,490,599</u>	<u>2,776,421</u>	<u>1,700,478</u>	<u>(1,075,943)</u>
EXPENDITURES				
Roads	2,463,517	2,980,450	2,492,157	488,293
Debt Service	39,500	238,000	235,025	2,975
Capital Projects	745,000	549,278	94,827	454,451
Administration	257,000	181,546	160,519	21,027
Total Expenditures	<u>3,505,017</u>	<u>3,949,274</u>	<u>2,982,528</u>	<u>966,746</u>
Excess (Deficiency) of Revenues Over				
Expenditures Before Other				
Financing Sources (Uses)	<u>(1,014,418)</u>	<u>(1,172,853)</u>	<u>(1,282,050)</u>	<u>(109,197)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>607,318</u>	<u>607,318</u>	<u>1,150,534</u>	<u>543,216</u>
Total Other Financing Sources (Uses)	<u>607,318</u>	<u>607,318</u>	<u>1,150,534</u>	<u>543,216</u>
Net Changes in Fund Balance	(407,100)	(565,535)	(131,516)	434,019
Fund Balance - Beginning (Restated)	<u>400,000</u>	<u>558,435</u>	<u>559,680</u>	<u>1,245</u>
Fund Balance - Ending	<u>\$ (7,100)</u>	<u>\$ (7,100)</u>	<u>\$ 428,164</u>	<u>\$ 435,264</u>

BRECKINRIDGE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

	JAIL FUND			
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts,</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Intergovernmental Revenue	\$ 1,748,480	\$ 1,748,480	\$ 1,851,282	\$ 102,802
Charges for Services	160,000	160,000	107,302	(52,698)
Miscellaneous	24,000	24,000	35,645	11,645
Interest	1,000	1,000	1,659	659
Total Revenues	<u>1,933,480</u>	<u>1,933,480</u>	<u>1,995,888</u>	<u>62,408</u>
EXPENDITURES				
Protection to Persons and Property	1,364,105	1,425,118	1,425,986	(868)
Debt Service	436,360	434,425	434,425	
Administration	298,752	204,572	203,827	745
Total Expenditures	<u>2,099,217</u>	<u>2,064,115</u>	<u>2,064,238</u>	<u>(123)</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(165,737)</u>	<u>(130,635)</u>	<u>(68,350)</u>	<u>62,285</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out			(35,102)	(35,102)
Litter Abatement	44,000	44,000		(44,000)
Total Other Financing Sources (Uses)	<u>44,000</u>	<u>44,000</u>	<u>(35,102)</u>	<u>(79,102)</u>
Net Changes in Fund Balance	(121,737)	(86,635)	(103,452)	(16,817)
Fund Balance - Beginning (Restated)	<u>121,737</u>	<u>121,737</u>	<u>316,512</u>	<u>194,775</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 35,102</u>	<u>\$ 213,060</u>	<u>\$ 177,958</u>

BRECKINRIDGE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 60,000	\$ 60,000	\$ 92,566	\$ 32,566
Interest			1,112	1,112
Total Revenues	60,000	60,000	93,678	33,678
EXPENDITURES				
Protection to Persons and Property	17,500	20,449	19,023	1,426
Social Services	29,500	29,500	25,313	4,187
Recreation and Culture	27,000	27,000	25,948	1,052
Administration	10,000	7,051		7,051
Total Expenditures	84,000	84,000	70,284	13,716
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(24,000)	(24,000)	23,394	47,394
Net Changes in Fund Balance	(24,000)	(24,000)	23,394	47,394
Fund Balance - Beginning	24,000	142,453	142,453	
Fund Balance - Ending	\$ 0	\$ 118,453	\$ 165,847	\$ 47,394

BRECKINRIDGE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2010

Note 1. Budgetary Information

1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

TICHENOR & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

304 MIDDLETOWN PARK PLACE, SUITE C
LOUISVILLE, KENTUCKY 40243

BUSINESS: (502) 245-0775

FAX: (502) 245-0725

E-MAIL: wtichenor@tichenorassociates.com

The Honorable Maurice Lucas, Breckinridge County Judge/Executive
Members of the Breckinridge County Fiscal Court

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Breckinridge County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 23, 2011, wherein, we issued a qualified opinion on the discretely presented component unit. Our report was also modified to include a reference to other auditors. Breckinridge County's financial statements are prepared in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Breckinridge Health, Inc., as described in our report on Breckinridge County, Kentucky's financial statements. The financial statements of the Breckinridge Health, Inc. were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Breckinridge County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Breckinridge County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Breckinridge County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying comments and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management of employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2010-01, 2010-02, 2010-03, and 2010-04 to be material weaknesses.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Breckinridge County's financial statements as of and for the year ended June 30, 2010, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Breckinridge County Judge/Executive's and the County Jailer's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Judge/Executive's and County Jailer's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of Breckinridge County Fiscal Court and the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

May 23, 2011

**BRECKINRIDGE COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2010

**BRECKINRIDGE COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2010

INTERNAL CONTROL - MATERIAL WEAKNESSES

2010-01 The County Treasurer's Office Lacks Adequate Segregation Of Duties Over Receipts And Bank Reconciliations

During testing we noted that the Treasurer prepares and deposits receipts, posts transactions into the accounting system, prepares reports for submission to the Department of Local Government, and performs the bank reconciliations for all bank accounts. Proper internal controls require adequate design of internal controls of significant accounts or processes to include adequate segregation of duties and effective oversight by those charged with governance of the entity's financial reporting and internal control.

We recommend that the Finance Officer open the mail and create a daily log of receipts. The Treasurer prepares and makes the deposits, posts the transactions into the accounting system and reconciles the bank accounts. The Judge/Executive compares the daily receipt logs to the deposits during his approval process of the bank account reconciliations.

County Judge/Executive Maurice Lucas's Response: "The Judge/Executive's Assistant will deliver and collect the mail at the post office and the Finance Officer/Payroll Clerk will open the mail and create a daily log of the receipts. Also, the Finance Officer will sort, copy, and stamp the back of all the receipts. The County Treasurer will prepare and make the deposits, posts the transactions into the accounting system and reconcile the bank accounts. I will compare the daily receipt logs to the deposits during my approval process of the bank account reconciliations."

2010-02 Jail Commissary Sales Tax Reports Should Be Filed And Paid On A Monthly Basis

During our testing of Jail Commissary Sales Tax, we discovered that the monthly sales tax reports were not being filed and paid on a timely basis. The sales tax reports for July 2009 – September 2009 were not filed or paid until October 28, 2009. Also, sales tax reports for February 2010 – June 2010 were not filed or paid until July 15, 2010.

We recommend that in the future, the Jail ensure that the Jail Commissary sales tax reports be filed on a monthly basis.

County Jailer Allen Shrewsberry's Response: "This will be resolved."

County Judge/Executive Maurice Lucas's Response: "I will request the Jailer to ensure that the Jail Commissary sales reports be filed on a monthly basis in order to avoid penalties."

2010-03 Prisoner Reimbursements (Jail Fees) Should Be Submitted To The County Treasurer On A Monthly Basis

During our testing of the Jail Operations, we discovered that prisoner reimbursements (Jail Fees) were not being turned over to the County Treasurer on a regular basis. During the Fiscal Year Ending June 30, 2010, we noted that the Jail only made two payments for prisoner reimbursements with the last payment being made in February 2010. These payments should be submitted on at least a monthly basis and should include documentation (sequential receipts) to support the amount being remitted.

BRECKINRIDGE COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2010
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES (Continued)

2010-03 Prisoner Reimbursements (Jail Fees) Should Be Submitted To The County Treasurer On A Monthly Basis (Continued)

We recommend that the Jail submit prisoner reimbursements (Jail Fees) to the County Treasurer on at least a monthly basis.

County Jailer Allen Shrewsberry's Response: "New Jail Management System will make calculation of these fees more timely."

County Judge/Executive Maurice Lucas's Response: "The Treasurer will request that the Jail submit the prisoner reimbursement (Jail Fees) on a monthly basis."

2010-04 The Jail Commissary Fund Lacks Adequate Segregation Of Duties

During our testing, we noted that a lack of segregation of duties exists over record-keeping, report preparation, and reconciliations. Proper internal controls dictate more segregation of duties. The Jailer's bookkeeper prepares and signs checks, posts to the ledger, prepares reports, and performs the bank reconciliations.

We recommend that the Jailer sign checks and review the monthly bank reconciliations and bank statements and document that a review was completed.

County Jailer Allen Shrewsberry's Response: "Will implement additional segregation."

County Judge/Executive Maurice Lucas's Response: "I will request that the Jailer sign the checks and compare the monthly bank reconciliation and bank statement during his approval process and initial both for documentation of his review."

**CERTIFICATE OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

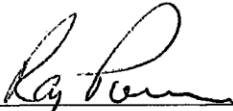
BRECKINRIDGE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2010**


CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
BRECKINRIDGE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2010

The Breckinridge County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name:
Former County Judge/Executive



Name:
County Treasurer

